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m>

08/14/2008 08:26 AM

Please respond to
pauhanamolokai@yahoo.com

To Hawaii.PUC@hawaii.gov

cc Catherine.P.Awakuni@dcca.hawaii.gov, Kaiulani.K.Shinsato@hawaii.gov, peter@molokairanch.com

bcc

Subject Information for Docket 2008-0115 decision today

Emailed to
Before 8:30 a.m.

Thursday August 14, 2008

The Honorable Chair Carlito Caliboso and Members
Hawaii Public Utilities Commission
465 South King Street
Honolulu, Hawaii 96813

Re: Docket 2008-0115 - ORDER INSTRUCTING A PROCEEDING TO PROVIDE TEMPORARY RATE RELIEF TO MOLOKAI PUBLIC UILTIES INC., WAI'OLA O MOLOKAI INC., AND MOSCO INC.

Dear Chair Caliboso and members.

Good morning.

In my initial email I mistakenly misspelled Chair Caliboso's name for which I apologoze.

Secondly I would like to correct the following paragraph that had an incorrect percentage listed. I also added some words to make the paragraph clearer.The amendments to the paragraph are in ramseyer format:

Amended paragraph:

But MPL CEO Peter Nicholas, a man that earns over $500,000 a year in his dual management role with MPL and as a Vice President of GuocoLeisure, rejected the PUC's proposal for a $461,804 revenue increase, and demanded instead that the commission offer had to be increased by $432,977 [103.8%] 93.8% to $894,801 or he was going to pull the plug on the utility operations despite the commission advising Mr. Nicholas in writing that an order from the PUC that until "a third party takes over the operation of the utilities….the commission expects the utilities and MPL to take all necessary and prudent actions to continue operations."

End of amended paragraph

Also I would like to suggest for your consideration that if you find it necessary to give MPL a rate increase based on the limited information you have received stick to the $461,804 you originally proposed. This generates 53.6 percent more revenue than the two water company utilities received in 2007.

If MPL feels it needs the additional $432,977 (93.5% more than the PUC is offering) it is demanding, let them sell one of the many 15 to 20-acre non-strategic, residential lots the company still owns at the Kaluakoi resort. MPL would have to sell only two of the lots for $217,000 each, far below market value to cover the $432,977 extra its is demanding from the commission.

In this way the public (ratepayers) will be paying about half the costs during the interim period and MPL would be paying about half.

Don't succumb to MPL's threats and put the full cost of funding the interim temporary rate period on Molokai's rate payers.

MPL will not walk if you offer this fairer deal. They know that if they do walk, they will be subject to $25,000 a day fines ($9,000,000 a year) from the commission (and maybe $75,000 a day or $27,000,000 a year if it is determined that each of the three utilities can be fined for violating the commission's order not to terminate services at the end of August).

If the utilities don't pay th fines go after MPL's land assets.

MPL and its parent company do not want the negative publicity and MPL cannot be confident that it will be able to hide its land assets behind the corporate veil.

MPL the utilities have no money or access to money to apply for a rate increase. Who is going to pay the lawyer to represent the MPL if its "corporate veil" defense is challenged?

There are several key ways of looking at whether or not creditors or other claimants may go "behind" the corporate veil and reach the land assets of MPL.

Two of these include the following considerations:

Has MPL and its subsidiary utilities conducted business at arms length in the process by which operating decisions are made, implemented and monitored, in how the roles key figures have been played out , and in the handling of intercompany dealings?

With regard to financing are the utility subsidiaries financially independently, or are they critically dependent on affiliated entitie for their existence?

Again, please consider placing $0 financial burden on Molokai's ratepayers during the inerim period. If you feel a need to place some burden on the ratepayers, be fair and place half of it on the ratepayers and half on the utilities and their owner MPL.

It doesn't hurt to urge Mr. Nicholas to accept a more fair disposition of the costs that have resulted from MPL's mismanagement of the utilities.

He may just see the light, be pono and accept your offer.

I have sent a copy of this email to Mr. Peter Nicholas, as well as, to the Consumer Advocate.

Thank you for your consideration.